UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

B-115369   JANUARY 15, 1980

The Honorable Edward Hidalgo
The Secretary of the Navy

Dear Mr. Secretary:

Subject: [Usefulness of Financial Reports Produced by
the Resource Management System] (FGMSD-80-19)

This is the report on our review of the need for and
usefulness of financial reports produced by the Resource Man-
agement System. This system is the Navy's accounting system
for the Operations and Maintenance, Navy appropriation. This
letter also covers our review of selected aspects of the Navy's
Integrated Disbursement and Accounting system. Further, we
considered the Navy's efforts to (1) periodically reevaluate
the continued need for and usefulness of computer outputs and
(2) eliminate unneeded reports and correct weaknesses in mar-
ginal reports. This work is part of a multiagency review on
which we plan to issue an overall report to the Congress.

Managers and operating personnel at the naval command
levels we reviewed generally do not use the uniform financial
reports produced by the Resource Management System to control
appropriated funds and manage day-to-day operations. The two
main problems naval personnel have with these reports are (1)
the information presented does not include all transactions
as of the report date and (2) the report formats are confus-
ing. To overcome these problems, naval managers run memoran-
dum accounting systems to obtain needed information.

These memorandum systems range from simple, manually
kept worksheets to complex, automated systems run on time-
shared computers. We could not obtain the total cost of op-
erating the system. However, the timesharing costs for one
automated system totaled about $35,000 in fiscal 1978. Also,
it costs about $14,700 annually to produce two unneeded and
unused monthly reports for just one naval field activity.

The Integrated Disbursement and Accounting system, which
the Navy expects to be fully operational by July 1984, should
make the information on computer produced financial reports
more complete and more timely. Implementation of the system,
however, will not fully solve all known problems with report

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formats because the uniform reports now produced by the automated processing parts of the Resource Management System will be carried over to the new system in their current formats. Redesign of Resource Management System uniform reports with known format problems will be deferred until after the Integrated Disbursement and Accounting system is fully implemented.

Instead of redesigning Resource Management System uniform reports with known report format problems as part of the implementation effort for the new system, the implementation team is concentrating on (1) verifying items of information that should be carried over to the new system's data bases from Resource Management System automated master files and (2) determining what additional information should be added to these data bases.

We recommend that you direct the design and implementation team to revalidate the use of the Resource Management System uniform reports by all major users of reports in order to eliminate unneeded outputs and redesign marginal reports before carrying them over to the new system. This is necessary because the Secretary of the Navy's June 8, 1979, Instruction 5214.2 providing for continuing and systematic appraisal of all reports is not being followed.

Enclosure I discusses the results of our review and our recommendations to improve the usefulness of the reports to be produced by the Integrated Disbursement and Accounting system.

The Budget and Accounting Procedures Act of 1950 provides for approval of executive agency accounting systems by the Comptroller General. The automated Resource Management System application for the command levels we reviewed has not been submitted for this approval. The accounting principles and standards for all the Navy's accounting systems have been approved by the Comptroller General.

We briefed members of your staff on the results of our review. They agreed that financial reports carried over to the Integrated Disbursement and Accounting system from the Resource Management System should be revalidated to eliminate known weaknesses, but they did not agree that this revalidation should be part of the implementation of the new system. We disagree. By deferring reports revalidation until after the new system is fully implemented, the Navy will incur extra system design costs for a follow-on system effort to correct report problems known at the time the new system was designed and implemented. It is good data processing practice to correct all known report problems as part of a system redesign and implementation effort.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and to the Senate Committee on Governmental Affairs no later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made over 60 days after the date of the report.

We are sending copies of this report to the Chairmen, House Committee on Government Operations and Senate Committee on Governmental Affairs.

We appreciate the Navy's cooperation during this review. If you desire further information on the results of our review, we will be happy to meet with you or your staff.

Sincerely yours,

D. L. Scantlebury
Director

Enclosure

SUMMARY OF FINDINGS AND

RECOMMENDATIONS TO IMPROVE

FINANCIAL REPORTING

There are four naval command levels which keep accounting records and produce reports. These levels are the (1) field installations, (2) major naval commands, (3) Chief of Naval Operations, and (4) Office of the Comptroller of the Navy. The objectives of accounting and financial reporting at these command levels are to:

--Control appropriated funds and track obligations.

--Track expenditures incurred in carrying out assigned work goals.

--Meet financial reporting responsibilities to the Secretaries of Defense and the Treasury and to the Office of Management and Budget.

The Resource Management System is the accounting system used by the Navy to account for operations and maintenance funds. 1/ The Resource Management System produces (1) a set of uniform financial reports for all system users and (2) optional reports to serve the particular financial information needs of naval activities and commands with different missions. 2/ For example, all system users receive uniform financial reports such as the monthly general ledger trial balance, while a naval supply office may get additional reports tailored to its unique needs.

The Resource Management System was designed to give naval managers and operating personnel the financial information needed to (1) control appropriated funds and track expenditures incurred in achieving work goals and (2) meet the Navy's financial reporting responsibilities to the Secretaries of Defense and the Treasury and to the Office of Management and Budget.

1/The Navy's fiscal 1979 Operations and Maintenance, Navy appropriation was $11.8 billion.

2/A Uniform Resource Management System is being developed by the Navy to standardize accounting for Operations and Maintenance appropriated funds. This system is expected to be operational in 1982.

The uniform reports produced by the Resource Management System are printed from automated files maintained at computer centers under the Navy's Regional Data Automation Command. The same report formats are produced for most naval command levels, that is, reports produced for field installations and for major commands have the same columnar headings, line item names, subtotals, and overall totals.

The primary difference between the reports designed for different command levels is the number of activities the reports cover. For example, the reports for a particular field installation will cover only that installation's financial data, while the reports for the next higher command will cover similar data aggregated for several installations. Similarly, the automated reports for the Chief of Naval Operations will aggregate financial information for all naval commands.

Resource Management System uniform reports are designed to allow the Navy to meet its external reporting responsibilities to the Secretaries of Defense and the Treasury and to the Office of Management and Budget. These reports, however, could not be directly used by naval managers and operating personnel to manage and control appropriated funds and track accrued expenditures at the naval commands visited.

The Navy has designed, and is implementing, a system called the Integrated Disbursement and Accounting system. This system will, when fully operational in July 1984, replace the automated processing parts of the Resource Management System and will combine in one organizational unit the accounting and disbursing functions. The Navy expects that this combination of functions will improve the completeness and timeliness of information in automated financial reports.

Resource Management System uniform reports will be carried over to the Integrated Disbursement and Accounting system without any major change in formats and will be available to users unless they decide to either (1) selectively retrieve, using computer terminals, information from the system's computer master files or (2) design their own reports and write the necessary computer programs to produce these reports from the computer master files. The Navy is deferring a complete revalidation of the Resource Management System reports until after the Integrated Disbursement and Accounting system is fully implemented in July 1984.

SCOPE OF WORK

We principally tried to see how effectively the uniform reports produced by the Resource Management System met the financial information needs of managers and operating personnel at all naval command levels. Specifically, we focused on

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(1) determining whether naval personnel actually need and use
these uniform reports and (2) identifying any report design
weaknesses that cause these reports to be superfluous or only
marginally useful.

To accomplish this we reviewed the uses made of Resource
Management System uniform reports at (1) the Naval Telecommuni-
cations Unit, Cheltenham, Maryland, (2) the Naval Telecommuni-
cations Command, Washington, D.C., (3) the Office of the Chief
of Naval Operations, Washington, D.C., and (4) the Office of
the Comptroller of the Navy, Washington, D.C. The work in-
volved tracing the flow of financial information from the Naval
Telecommunications Unit through intermediate commands to the
financial reports submitted to the Office of the Secretary of
Defense. Our work also addressed whether or not the outputs
to be produced by the Integrated Disbursement and Accounting
system, when fully implemented, will eliminate weaknesses in
the financial reports now produced by the Resource Management
System.

MANAGERS' AND OPERATING
PERSONNEL'S FINANCIAL
INFORMATION NEEDS NOT MET

The Resource Management System's uniform financial re-
ports satisfy the Navy's financial information needs so it can
meet reporting requirements of the Secretaries of Defense and
the Treasury and the Office of Management and Budget. These
reports, however, do not give managers and operating personnel
at the activities we reviewed the financial information needed
to effectively track expenses incurred to achieve work goals,
control operations and maintenance funds, and track obligations.
The two main problems with these reports are:

--Current data is not always included because of delays
  in sending information between accounting and disbursing
  officers.

--Reports designed to summarize information on the finan-
  cial results of operations are not in formats managers
  can use to track accrued expenditures and control appro-
  priated funds.

As a result, managers and operating personnel at the naval
command levels visited:

--Do not extensively use Resource Management System
  reports.

--Routinely use memorandum accounting systems to obtain
  reports and analyses that show all transaction infor-
  mation in formats they can more easily understand and
  use.

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The information in uniform reports produced by the
Resource Management System is incomplete and untimely because
the Navy splits between different organizations, the jobs of
(1) maintaining automated accounting records and producing
financial reports and (2) making cash payments to individuals
and businesses. This separation of the accounting, financial
reporting, and disbursing functions, causes the reports to be
incomplete and untimely because accounting and disbursing of-
ficers (1) must keep their own complete set of records and
(2) must constantly exchange information and documents--usu-
ally through the mail--so both sets of records will include
all aspects of a transaction. For example, accounting officers
must send disbursing officers copies of obligation documents,
and conversely, disbursing officers must send accounting of-
ficers copies of disbursement documents. Mail delays prevent
the complete recording of all aspects of a transaction in the
accounting records before cutoff dates for preparation of
monthend reports.

Resource Management System uniform reports present appro-
priation, obligation, and accrued expenditure information sum-
marized by budget classification code, functional/subfunctional
category (for example, personnel support), and expense element
(for example, salaries). These reports are printed from the
official accounting records maintained by the computer centers
operated by the Navy's Regional Data Automation Command. The
reports are designed to give naval activities (1) printed copies
of the information in the official accounting records maintained
by the computer and (2) the financial information needed to
track accrued expenditures and control appropriated funds.

Naval activities at the command levels we reviewed do not
extensively use Resource Management System reports in managing
day-to-day operations because:

   --Financial information summarized by budget, functional/
     subfunctional, and expense element codes is not meaning-
     ful to naval managers and their staffs, particularly at
     the field installation level. This is because they man-
     age obligations and accrued expenditures by cost center;
     that is, all resources used to do a particular job such
     as operating the supply office--rather than by a par-
     ticular type of expense such as salaries.

   --Lists of information in computerized accounting records
     (like a monthly trial balance of general ledger accounts)
     do not directly give managers and their staffs the type
     of information on the financial results of operations

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(like unobligated funds by operating budget) that they need to control appropriated funds and track accrued expenditures. The information on many Resource Management System reports must be analyzed and recombined before needed key totals--such as unobligated funds by operating budget--are developed.

Examples follow which illustrate how Resource Management System reports fall short of meeting the information needs of managers and operating personnel.

Naval Telecommunications Unit - Cheltenham, Maryland

The staff of the Telecommunication Unit receives the following monthend Resource Management System reports. This unit mainly uses these reports for comparison with similar information in its memorandum accounting records, so it can tell its parent command--the Naval Telecommunications Command--what information is omitted from the reports. They are not used to conduct day-to-day operations.

--The Expense Report Detail shows completed work units, staff-hours used, and accrued expenditures by budget classification code, functional/subfunctional category, and cost (expense) account. Station personnel do not use this report because (1) all transaction information up to the date of the report is not shown and (2) they control expenses by cost center; that is, they accumulate all expenditures to do a specific task, rather than accumulating all expenditures of a particular type.

--The Performance Statement is designed to display (1) the percentage of budget used, (2) the percentage of projected work units completed, (3) estimated expense per work unit, and (4) actual expense per work unit. Seventy-eight percent of the pages in 1 month's report showed only actual expense per work unit and could not be used to compare planned with actual expenditures. None of the pages in the report showed all four calculations. Also, this report erroneously showed that this station's expenses were 120 percent of budget, while other reports clearly showed that the activity had funds available.

--The Budget Classification/Functional Category/Expense Element Report presents detailed expenditure data reported to parent commands of naval field installations. Expenses are summarized by functional categories (personnel support) and expense element (salaries). However, the staff manages by cost center and not by the categories shown on this report. Hence, the report is not used.

--The Monthly Trial Balance shows general ledger account balances for appropriated funds, obligations, payments made, and expenses incurred. This report does not include all transaction information up to the end of the month in the account balances and does not provide the key totals needed by the staff to manage their appropriated funds and avoid overobligations. The unit's memorandum accounting system includes all transaction information up to the end of the month and produces these key totals directly, so the Monthly Trial Balance is rarely used.

--The Paid Labor and Unpaid Labor Reports display salaries paid during the month and salary expense incurred but not paid in the reporting month. These expenditures are included in other reports the unit receives and are also reported by the unit's memorandum accounting system. As a result, the staff does not need these two reports.

Cheltenham operates a memorandum accounting system which consists of a detailed job order cost ledger that shows obligations, payments made, and expenses incurred by cost center. These manual records show financial information for any period of time because transactions are recorded in these records as soon as an obligation is incurred through, for example, issuance of a purchase order. This system gives the staff more timely and complete financial information than the Resource Management System.

Naval Telecommunications Command - Washington, D.C.

Monthly, the naval computer centers that operate the Resource Management System and maintain the automated accounting records for Navy's 23 field communications activities (including Cheltenham) send punched card files of financial transaction information processed during the month to the computer center that supports the Naval Telecommunications Command. This computer center processes these punched card files through the automated Resource Management System to (1) post the month's financial transaction information to the Telecommunications Command's automated accounting records and (2) produce monthend financial reports for the command.

The Naval Telecommunications Command receives Resource Management System reports in the same formats as those sent to its subordinate field activities. But the reports for the commands aggregate the data included on reports sent to its 23 field activities. The command's reports are designed to provide commandwide information on the financial results of operations.

The Telecommunications Command, however, does not use the
Resource Management System reports extensively to monitor the
status of appropriated funds and track accrued expenditures
because these reports:

--Do not include all the transaction information up to
  the date of the report.

--Summarize information in ways that managers cannot
  easily understand and use.

The command's Resource Management System reports are not com-
plete and up-to-date because the information to prepare the re-
ports comes from field activities' automated accounting files
which also are incomplete and not up-to-date because of mail
delays in sending transaction information between accounting
and disbursing offices. The Resource Management System reports
are essentially listings of information in the automated ac-
counting records and do not show key information that managers
need to conduct operations. For example:

--The Budget Classification/Functional Category/Expense
  Element Report is an aggregate of the detailed expense
  reports for all 23 communication units and stations.
  It is only occasionally used by the command to answer
  specific questions from naval officials at higher com-
  mand levels. It is not used to directly monitor field
  activities' financial operations because the report does
  not include all expenditures incurred and obligations
  made as of the report date.

--The Monthly Trial Balance summarizes the general ledger
  account balances of all 23 communication units and sta-
  tions under the Naval Telecommunications Command. This
  report is not extensively used because selected account
  balances must be first combined and analyzed to show ob-
  ligations, accrued expenditures, and unobligated balances.

Instead of using the Resource Management System reports
to conduct operations, the Naval Telecommunications Command
operates two memorandum sets of accounting records--a set of
manual worksheets and an automated system.

--The manual system consists of status-of-fund worksheets
  which show for each telecommunications unit or station
  (1) operating budgets and (2) amounts obligated and
  paid for travel and maintenance of real property. These
  worksheets are prepared by updating the Resource Manage-
  ment System reports to reflect information obtained by
  monthly telephone calls to each field activity. The
  field activities get this information from their memo-
  randum accounting systems.

--The automated system consists of computerized trans-
action journals and a general ledger. This system pro-
duces consolidated reports on the financial results of
commandwide operations. These reports summarize finan-
cial information in formats that managers can easily
use to (1) control appropriated funds and track accrued
expenditures and (2) develop future operating budgets.
This system is run on a commercial, timeshared computer.

Chief of Naval Operations - Washington, D.C.

Each month, the naval computer centers that run the Re-
source Management System for the major naval commands send
punched card files of the month's financial transactions to
the computer center that supports the Chief of Naval Opera-
tions. These punched card files are processed through the
automated Resource Management System to post the month's fi-
nancial transactions to the Chief of Naval Operations' auto-
mated accounting records. The accounting records maintained
for the Chief of Naval Operations under the Resource Manage-
ment System summarize, Navy-wide, all transactions for opera-
tions and maintenance funds.

The Chief of Naval Operations does not receive the same
printed reports from the Resource Management System as the
Telecommunications Command because the information on the com-
mand's reports must be extensively manipulated and recombined
to develop the key summary totals of appropriated funds, ob-
ligations, unobligated funds, and accrued expenditures. Top
managers need these totals to control obligations, track ac-
crued expenditures, and meet external financial reporting re-
quirements. Instead, the Chief of Naval Operations gets punched
cards. These cards are processed through the computer to pro-
duce reports which satisfy the Chief of Naval Operation's fi-
nancial information needs. For example, The Budget Classifi-
cation/Functional Category/Expense Element Report (see p. 7)
is replaced by the Report of Program Status of Operations Re-
sources and the Monthly Trial Balance (see p. 7) is replaced
by the Type B Report.

These reports present information on the financial results
of operations in ways that managers find easy to understand and
use. For example, the Monthly Trial Balance simply lists gen-
eral ledger account balances; the computer, on the other hand,
in producing the Type B Report combines various general ledger
account balances so this report shows reimbursements, obliga-
tions, accrued expenditures, and unobligated balances.

Information presented on the reformatted reports, however,
is not complete as of the·date of the report because the source

for this information is the official automated accounting
records maintained by the Resource Management System. As dis-
cussed earlier (see pp. 6-8), all financial transaction infor-
mation for the reporting month is not posted to the automated
accounting records maintained for subordinate naval command
levels before the production of monthend Resource Management
System uniform reports. Delays in getting information into
the automated accounting records occur because the Navy divides
keeping accounting records and disbursing funds between dif-
ferent naval organizations. Mail delays in sending transaction
information between accounting and disbursing offices and naval
computer centers precludes posting all obligation, disburse-
ment, and expenditure information to Resource Management Sys-
tem automated master files before monthend reports are prepared.
Since the information recorded in the Chief of Naval Operations
automated accounting records is an aggregation of information
in the automated records kept at subordinate command levels,
this information is also incomplete.

     Chief of Naval Operations personnel do not directly use
Resource Management System uniform reports to inform higher
level managers of the current status of operations and main-
tenance funds. Information from the Resource Management Sys-
tem reports is not always accurate and current. Consequently,
Chief of Naval Operations personnel make telephone calls, be-
fore the official reports are even provided, to obtain current
financial information. The updated information is used to pre-
pare the flash obligation reports sent to the Office of the
Comptroller of the Navy.

     In addition to producing reports replacing Resource Man-
agement System reports, the Chief of Naval Operations produces
other financial reports from this data. These reports include
the Report on Budget Execution, Report on Reimbursements, and
Appropriation Status of Fiscal Year Program and Subaccount Re-
port. These reports present summaries of reimbursements, obli-
gations, and payments recorded in Resource Management System
computer master files. They are sent to the Office of the
Comptroller of the Navy and major naval commands.

Comptroller of the Navy - Washington, D.C.

     The naval Comptroller's staff posts the information on fi-
nancial reports received from the Chief of Naval Operations to
a non-Navy, timeshared computer system located in Canada. As
these reports were produced from master files maintained by the
Resource Management System, they do not include all obligations
and payments made during the reporting month. Therefore, the
Comptroller's staff gets information omitted from these reports
from the flash obligation reports prepared by Chief of Naval
Operations personnel. This information is also posted--by com-
puter terminal--to the files maintained by the computer in

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Canada. This system is used to produce accurate and timely
reports on the Navy's appropriated funds to meet external
reporting requirements of the Secretaries of Defense and the
Treasury and of the Office of Management and Budget.

RESULTS OF NOT MEETING MANAGER AND OPERATING
PERSONNEL'S FINANCIAL INFORMATION NEEDS

The naval commands we visited maintain extensive memoran-
dum accounting records to (1) augment the information on the
uniform reports produced by the Navy's Resource Management
System and (2) overcome weaknesses in the formats of the uni-
form reports produced by the system and problems with the com-
pleteness and timeliness of the information on these reports.

As a result, the Navy needlessly incurs costs (1) to pro-
duce standard financial reports that naval personnel do not and
cannot extensively use and (2) to run accounting systems at
the command levels visited to fill information gaps left by
standard financial reports. For example:

--It costs about $14,700 annually to produce the monthly
   Paid Labor and Unpaid Labor reports that the Naval Tele-
   communications Unit's staff at Cheltenham does not use.
   (See p. 6.) This cost is for just two reports sent to
   one naval field activity.

--In fiscal 1977, it cost about $15,000 in personnel ex-
   penses to run the memorandum accounting system at the
   Naval Telecommunications Unit in Cheltenham. (See p. 6.)

--The Naval Telecommunication Command's memorandum account-
   ing system, run on a timeshared computer system in Chi-
   cago, cost $5,000 to design, and fiscal 1978 operating
   costs were $35,000 for computer use and $18,600 for per-
   sonnel costs. (See pp. 6-8.)

REVALIDATIONS OF SYSTEM OUTPUTS
NOT SUCCESSFUL

The Navy has tried to revalidate the continued need for
and usefulness of reports produced by the Resource Management
System. These revalidation efforts included:

--Sending routine questionnaires (called Report Analyses
   Data forms) to report users from the naval Comptroller's
   Office whenever changes to standard naval financial re-
   ports are being made.

--Running a one-time, special reports revalidation proj-
   ect called the 77-1 Project.

The Report Analysis Data form is completed by the person having cognizance over the report. The person must explain the purpose of the report and its actual use. This information is not confirmed. Furthermore, a Report Analysis Data form was prepared for only one of the reports we reviewed.

The 77-1 Project dealt with Navy-wide reports sent to the Secretaries of Defense and the Treasury and to the Office of Management and Budget. Questionnaires on the usefulness of, and need for, reports were sent to major naval command managers. Most respondents complained of inaccurate and untimely reports, yet no action was taken to verify the need for or use of the reports.

The Secretary of the Navy, in naval Instruction 5214.2 of June 8, 1978, provided for a continuing and systematic appraisal of all reports; however, this is not being done effectively.

The Naval Audit Service has not tested the continued need for, and usefulness of, computer-produced financial reports for the command levels and reports we reviewed.

NAVY'S INTEGRATED DISBURSEMENT AND ACCOUNTING SYSTEM WILL NOT FULLY IMPROVE FINANCIAL REPORTS

The main feature of the Navy's Integrated Disbursement and Accounting system will be to combine the functions of accounting, financial reporting, and disbursing into one organization. Under the new system, 16 accounting and disbursing centers will be set up in the continental United States. Accounting and disbursing officers will use one set of automated accounting master files instead of keeping separate sets of accounting records as they do under the Resource Management System. This consolidation should help (1) improve the timeliness and completeness of information on standard reports by eliminating the need for mailing obligation and payment documents and information between accounting and disbursing officers and (2) hasten inputing complete transaction information into the automated accounting files before cutoff dates for monthly financial reports.

The Integrated Disbursement and Accounting system, however, will not fully solve known report format problems with current Resource Management System uniform reports because redesign of these reports to correct known format problems is being deferred until after the system is fully implemented in July 1984. Furthermore, after the system is fully implemented, some naval users will not have computer terminals to enter

and retrieve information from computer data bases and will
have to use printed reports. By deferring reports redesign
until after the system is fully implemented, the Navy will
incur extra computer programing costs to implement the rede-
signed report formats.

After the Integrated Disbursement and Accounting system
is fully implemented in July 1984, most system users, if they
have access to computer terminals, will have three report op-
tions:

--To receive Resource Management System uniform reports
in their current formats.

--To retrieve selected information from the computer data
base.

--To design and produce their own reports from the com-
puter data base by writing and processing special com-
puter programs through the system.

The Integrated Disbursement and Accounting system will
be implemented in phases.

--The first phase, now underway, involves designing and
implementing the computer data base and related pro-
grams to meet the financial information needs of naval
field installations.

--The second phase will be to design and implement the
necessary computer data base and programs to satisfy
the financial information needs of major naval com-
mands.

--The third phase will be to design and implement the
computer data bases and programs to meet the financial
information needs of the Chief of Naval Operations and
the Office of the Comptroller of the Navy.

After phase one is completed, about 80 percent of naval
field activities will have computer terminals so they can en-
ter information into and retrieve information from the sys-
tem's computer data base. The remaining field activities will
have to rely on Resource Management System uniform reports for
needed financial information. While phase one is being imple-
mented, and until work under phases two and three is completed,
major naval Commands, the Chief of Naval Operations, and the
Office of the Comptroller of the Navy will continue to receive
the Resource Management System uniform reports they currently
receive and cannot directly use.

During implementation of the Integrated Disbursement and Accounting system, Navy's implementation team will concentrate on determining what data elements in Resource Management System master files should be carried over to the new system's data bases and what new data elements should be added. Resource Management System uniform reports carried over to the Integrated Disbursement and Accounting system will not be redesigned as part of the implementation.

After the Integrated Disbursement and Accounting system is fully implemented, the Navy plans to revalidate the Resource Management System uniform reports that were carried over to the new system in order to solve known report format problems with the uniform reports.

By deferring revalidation of Resource Management System uniform reports with format problems until after the new system is fully implemented, the Navy is:

--Carrying over to the new system reports that managers and operating personnel do not currently use in managing day-to-day operations.

--Perpetuating, to some degree, the need for maintaining memorandum accounting records.

--Going to incur additional computer programming costs to modify the new system's computer programs to provide for report format changes.

It is good automatic data processing practice to correct known report format problems as part of a system design effort rather than carrying them over to a new system.

CONCLUSIONS

The Navy is not revalidating Resource Management System uniform reports to eliminate or reformat marginal reports as part of the design and implementation of the Integrated Disbursement and Accounting system. Instead, revalidation will be deferred until after the system is completely implemented in July 1984. Thus, the Navy will not fully solve all known problems with report formats and will perpetuate, to some degree, the need for maintaining memorandum accounting records.

RECOMMENDATION

We recommend that the Secretary of the Navy direct the design and implementation team for the Integrated Disbursement and Accounting system to revalidate, as part of the system design effort, Resource Management System uniform reports

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carried over to the new system. This revalidation should be done at all major naval commands and should include work similar to what we did for the Naval Telecommunications Command. The revalidation should focus on eliminating unneeded reports and reformating marginal reports.

AGENCY COMMENTS AND OUR RESPONSE

Although naval officials agreed that Resource Management System uniform reports should be revalidated, they stated:

--The installations and offices we visited were not representative of all naval installations and offices.

--The Integrated Disbursement and Accounting system would alleviate weaknessess we noted in Resource Management System uniform reports.

--Our report addresses not only the reports but also the design of the Resource Management System.

We disagree. The Resource Management System reports we reviewed are standard naval Comptroller reports which are provided to most managers. All the installations and offices visited--the Telecommunications Unit and its parent command (which oversees 23 such units or stations), the Chief of Naval Operations (which oversees all naval commands), and the Office of the Comptroller of the Navy--had problems using Resource Management System reports. Since these are standard naval reports, other naval installations and commands may also have similar difficulties.

This is why we are recommending that the Navy review reports for all commands to determine if problems exist. As pointed out on page 11, although the Navy requires a continuing and systematic appraisal of all reports, this has not been done effectively.

The Integrated Disbursement and Accounting system will not fully correct the reporting problems we identified. By deferring revalidation of reports carried over to the new system (1) major systems revisions may be subsequently required and additional costs needlessly incurred and (2) memorandum records will be perpetuated to some degree. It is good automated data processing practice to correct known report problems as part of a system design effort rather than carrying them over to a new system.

We agree that to a certain extent our report addresses the design weaknesses in the Resource Management System which caused the information on reports it produced to be inaccurate

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and untimely. Our report recognizes that the Integrated Disbursement and Accounting system, when fully implemented, should correct these design weaknesses. However, our report also shows that formats of Resource Management System reports are confusing and that naval managers and operating personnel, at the installations and offices visited, could not use these reports for the financial information they needed. Consequently, these managers kept extensive memorandum records to meet their financial information needs. Our report points out that the Integrated Disbursement and Accounting system will not solve this problem because the system will initially adopt the report formats in the Resource Management System. We, therefore, recommended that the Navy correct these report format problems as part of the design and implementation effort for the Integrated Disbursement and Accounting system.

DIVISION OF FINANCIAL AND
GENERAL MANAGEMENT STUDIES

B-115369   JANUARY 15, 1980

The Honorable Edward Hidalgo
The Secretary of the Navy

Dear Mr. Secretary:

Subject: Usefulness of Financial Reports Produced by
the Resource Management System (FGMSD-80-19)

This is the report on our review of the need for and
usefulness of financial reports produced by the Resource Man-
agement System. This system is the Navy's accounting system
for the Operations and Maintenance, Navy appropriation. This
letter also covers our review of selected aspects of the Navy's
Integrated Disbursement and Accounting system. Further, we
considered the Navy's efforts to (1) periodically reevaluate
the continued need for and usefulness of computer outputs and
(2) eliminate unneeded reports and correct weaknesses in mar-
ginal reports. This work is part of a multiagency review on
which we plan to issue an overall report to the Congress.

Managers and operating personnel at the naval command
levels we reviewed generally do not use the uniform financial
reports produced by the Resource Management System to control
appropriated funds and manage day-to-day operations. The two
main problems naval personnel have with these reports are (1)
the information presented does not include all transactions
as of the report date and (2) the report formats are confus-
ing. To overcome these problems, naval managers run memoran-
dum accounting systems to obtain needed information.

These memorandum systems range from simple, manually
kept worksheets to complex, automated systems run on time-
shared computers. We could not obtain the total cost of op-
erating the system. However, the timesharing costs for one
automated system totaled about $35,000 in fiscal 1978. Also,
it costs about $14,700 annually to produce two unneeded and
unused monthly reports for just one naval field activity.

The Integrated Disbursement and Accounting system, which
the Navy expects to be fully operational by July 1984, should
make the information on computer produced financial reports
more complete and more timely. Implementation of the system,
however, will not fully solve all known problems with report